

# **EXHIBIT W**



JAMES L. LEVY, MAI, MRICS, ASA  
SHARON LOCATELL, MAI, CRE, MRICS  
CHRISTIN L. PHILLIPS, MAI  
EDWARD LEVY, ASA (1907-2004)  
RUTH A. AGNESE, MAI, MRICS (1962-2013)

Carol DeMarco  
Real Estate Asset Manager  
U.S. Restaurant Development  
McDonald's USA LLC  
110 N. Carpenter Street  
Chicago, Illinois 60607

June 17, 2019

**RE:** McDonald's Lease Renewal  
Location Code: 31-2093  
840 Atlantic Avenue  
Brooklyn, New York 11238

To Whom It May Concern:

As per your request, we have set forth an analysis to determine the Fair Market Rental Value (FMV) payable at the commencement of the first five-year renewal term for the demised ground lease Premises at 840 Atlantic Avenue, Brooklyn, New York, as of approximately April 1, 2019.

The renewal rent is to be determined in accordance with the Ground Lease ("Lease") Agreement dated March 18, 1998 between Anthony M. Musto, ("Landlord") and McDonald's Corporation, ("Tenant") aka "the Parties".

Per Section 1 of the Lease, the Demised Premises is identified as 'the parcel of land which is located in Brooklyn, County of Kings, State of New York, having a frontage of not less than 170 feet on Atlantic Avenue, containing not less than 29,000 square feet (not including roads or public rights-of-way), being more particularly described in Exhibit A, together with all of Landlord's easement rights and appurtenances thereto,'

Per the lease Option Rent Addendum dated March 18, 1998, attached to the Ground Lease and notwithstanding anything in the Lease to the contrary, the Landlord and Tenant agree as follows:

**EXHIBIT**  
**W**

MCD001697

The annual rental that shall be payable during the first extension period described in Article 13 of the Lease shall be equivalent to the greater of:

- A. Eighty percent (80%) of the Fair Market Rental Value of the Demised Premises at the end of the primary term, **exclusive of any and all improvements** then existing on the Demised Premises (called the "FMV"), as determined by written agreement of Landlord and Tenant; or
- B. During the first five-year option, Tenant shall pay monthly rent of \$16,032.58, or \$192,391 per annum.

The Option Rent Addendum further states that “the rental value shall be established based upon a definition of Fair Market Rental Value as the price which an average well-informed tenant would pay and an average well-informed landlord would accept, exclusive of Tenant's improvements, knowing all of the uses to which the property can be put, without duress on either party.”

The Option Rent Addendum further states that ... “The standard market data approach technique for valuing vacant land shall be used by the appraisers. All comparable leases shall be appropriately adjusted, and the written reports shall indicate the reasons for the adjustment so made. If adequate comparable leases are not available, then a land residual technique, as defined by the American Institute of Real Estate Appraisers, shall be used.”

We are specifically tasked with determining the FMV of the subject land as unimproved based on highest and best use, and in consideration of a 5-year renewal term and other provisions of the lease. We have therefore searched for ground lease comparables involving similar commercial sites for comparison to the subject property utilizing the Sales Comparison Approach as dictated by the lease. We did not undertake a residual analysis as there is a plethora of available comparable data.

The subject site is situated at the southeast corner of Atlantic Avenue and Vanderbilt Avenue in the Prospect Heights neighborhood of Brooklyn, New York. It is identified on the New York City tax maps as Block 1122, Lots, 1, 68, 71. The site is “U” shaped and comprised of approximately 29,000 square feet with frontages of 170’ on Atlantic Avenue, 200’ on Vanderbilt Avenue, and 45’ on Pacific Street and 75’ on Pacific Street, noncontiguous frontages on Pacific Street. The site is also improved with on-site parking and curb cut access from all frontages. The subject is split zoned in the M1-1 manufacturing district (24,000 square feet) and the R6B residential district (5,000 square feet). Existing improvements consist of a 1-story, free-standing, drive-thru, fast food restaurant built circa 1999 with a gross building area of approximately 3,760 square feet.

To determine the FMV of the subject site, exclusive of any and all improvements, we have researched the market for comparable ground leases. Twelve comparable ground leases and one listing of a commercial site were uncovered for this analysis. The leases were signed during the past few years through 1<sup>st</sup> quarter 2019. Lease terms, where noted, range from a 5-year renewal to 20-years. They involve commercial sites located throughout New York City with the majority located in Brooklyn. Current uses primarily include fast food restaurants and banks. Site sizes

range from approximately 7,000 square feet to 30,000 square feet. Annual starting rents range from \$144,232 per annum net to \$380,000 per annum net.

The leases were adjusted for transactional adjustments such as market conditions (date of lease) as well as physical property adjustments such as location, site size, access, demographics, etc. Each lease has been considered and adjusted accordingly for their noted individual factors as compared to the subject property.

Based on appropriate adjustments, the ground leases reveal an adjusted rent range from approximately \$260,000 per annum to \$386,000 per annum. After consideration of each adjusted comparable, it is our opinion that the subject's FMV as of April 1, 2019 falls at the higher end of the adjusted range of comparables and we have therefore concluded at a FMV of \$350,000 per annum net.

Per the Lease Addendum, the subject rent equates to either the greater of 80% of FMV, or \$192,391.

### **Conclusion**

Given the terms of the lease renewal provision which dictate the rent is based upon the greater of 80% the FMV or \$192,391, the subject's estimated rent payable for the 5 year renewal period is **\$280,000 per annum.**

We trust this transmittal letter will serve your purpose and that you will call upon us if there are any items in the letter, which require further clarification. The full letter of value will be supplied at your request. This represents our value conclusion based on the work completed through June 18, 2019.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Sharon Locatell', with a stylized flourish at the end.

Sharon Locatell, MAI, CRE, MRICS  
President



Comparable Ground Rents - Retail										
#	Address	BBL	Tenant	Lease Start	Years	Site Area (Sq. ft.)	Traffic Count Range	Zip Code Population	Rent/ Annum	Note
<b>Subject</b>	840 Atlantic Avenue, sec Vanderbilt Avenue, Prospect Heights, Brooklyn, NY 11238	1122/1, 71	McDonald's	Mar-18	5-Yr Renewal	29,000	30,001 - 50,000 / day	53,089		Corner site w/ five curb cuts. Access from three sides. 30 parking spaces.
<b>1</b>	219-44 Hillside Avenue, southerly corner of Braddock Ave, Queens Village, NY 11427	10680/6	Wendy's	May-19	unknown	25,226	15,001 - 30,000 / day	24,799	\$250,000	Corner site w/ access from both Hillside Ave and Braddock Ave. Ample on-site parking.
<b>2</b>	1927 Flatbush Avenue, nec Kings Hwy, East Midwood, Brooklyn, NY 11234	7819/20	Starbucks	1Q '19	unknown	8,848	15,001 - 30,000 / day	90,056	\$215,000	Landlord delivered 1,600 SF shell bldg. Rent increases to \$240,000/annum in 2020 NNN. Corner site w/ two curb cuts. Access from Flatbush and Kings Hwy Svc Rd. Heavy traffic @ traffic light. 10 parking spaces.
<b>3</b>	2154 Hylan Boulevard, eastern block front btw Midland & Zwicky Aves, Staten Island, NY 10306	3691/11, 1	McDonald's	May-18	20-yr Amended/ Expansion plus options thru 12/2058	37,501	50,001 - 100,000 / day	56,306	\$380,000	Original lease in 2016 involved lot 11. Lease was amended to include Lot 1 for better drive thru access. Frontages on three sides.
<b>4</b>	1600 Bruckner Boulevard, sec Morrison Ave, thru to Story, Ave, Soundview, Bronx, NY 10473	3653/50	McDonald's	Oct-17	20 plus options thru 10/2057	11,000	15,001 - 30,000 / day	62,058	\$219,000	Rent increases 10% every 5-yrs. Pad site to strip center anchored by Auto Parts. Once curb cut for drive-thru window. Second access from main entrance to shopping center. Ample parking.
<b>5</b>	7602 Flatlands Avenue, southern block front btw E77th St & Paerdegat Ave, Canarsie, Brooklyn, NY 11236	8013/1	McDonald's	Jun-17	20 plus options thru 6/2052	18,000	15,001 - 30,000 / day	97,695	\$234,000	Rent increases 10% every 5-yrs. Closed for renovations. Two traffic lights, one on each corner on Flatlands. Three curb cuts. Access from three sides.
<b>6</b>	194-14 Linden Boulevard, sec 195th St. St Albans, Queens, NY 11412	12610/15	Burger King	Mar-17	20	10,778	6,001 - 15,000 / day	36,548	\$144,232	Landlord delivered shell bldg. RE Taxes abated \$2.39/SF for "Ind. Com." Access only from Linden Blvd w/ two curb cuts. 8 Parking spaces. No traffic light. No curb cut on 195th St.

Comparable Ground Rents - Retail										
#	Address	BBL	Tenant	Lease Start	Years	Site Area (Sq. ft.)	Traffic Count Range	Zip Code Population	Rent/ Annum	Note
<b>Subject</b>	840 Atlantic Avenue, sec Vanderbilt Avenue, Prospect Heights, Brooklyn, NY 11238	1122/1, 71	McDonald's	Mar-18	5-Yr Renewal	29,000	30,001 - 50,000 / day	53,089		Corner site w/ five curb cuts. Access from three sides. 30 parking spaces.
<b>7</b>	68-01 Northern Boulevard, northern block front btw 68th & 69th Sts, Woodside, Queens, NY 11377	1164/45	Burger King	Jul-16	5-Yr Renewal	21,025	15,001 - 30,000 / day	93,955	\$290,000	Tenant has been in place since 1975. This lease represents the last renewal option. Corner site at traffic light. Two curb cuts.
<b>8</b>	957 Marcy Avenue, nec Fulton St, Bedford Stuyvesant, Brooklyn, NY 11216	1854/1	TD Bank	Bank opened 2015	unknown	7,056	up to 6,000 / day	59,347	\$230,000	NNN. Corner site improved w/ pedestrian plaza. There is a traffic light, but No curb cuts. Busy pedestrian area, across from New Rochelle College. Nostrand train station two blocks away.
<b>9</b>	1656 Utica Avenue, btw Aves H & I, Flatlands, Brooklyn, NY 11234	7753/58	McDonald's	2015 amendment	15 plus options thru 11/2055	27,000	15,001 - 30,000 / day	90,056	\$297,000	Rent increases 8.5% every 5-yrs. "L" shaped site. Access from Utica and Avenue H. Three curb cuts. 35-parking spaces.
<b>10</b>	1715 Bedford Avenue, nec Sullivan Pl, Crown Heights, Brooklyn, NY 11225	1304/1	TD Bank	Bank opened 2014	unknown	18,494	6,001 - 15,000 / day	61,125	\$300,000	NNN. Corner site at traffic light. Three curb cuts. Bi-directional access from both Bedford Ave and Sullivan Pl. 13 Parking spaces.
<b>11</b>	968 4th Avenue, swc 37th St, Sunset Park, Brooklyn, NY 11232	700/32	McDonald's	4/1/2014	20 plus options thru 2/2063	16,567	30,001 - 50,000 / day	69,931	\$287,496	Corner site at traffic w/ on-site parking. Access from both 4th Ave & 37th St. Rent increases 10% every 5-years. Eff rent 4/1/2019 is \$316,250.
<b>L-1</b>	73-01 Northern Boulevard, nec 73rd St, Jackson Heights, Queens, NY 11372	1169/49	Vacant IHOP	Listing		16,567	30,001 - 50,000 / day	69,931	\$312,000	IHOP did not renew due to union issues. Reported sales were \$3.4 mill Mar '17-'18. LL was in contract for \$280k, but deal fell through due to financing. Broker has new offers from \$180k - \$220k/annum NNN. LL is planning to demolish bldg. Corner site at traffic light. Two curb cuts. Access from two streets.

### CERTIFICATION

1. I, the undersigned appraiser, certify that, to the best of our knowledge and belief:
2. The statements of fact contained in this report are true and correct;
3. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions;
4. Sharon Locatell inspected the subject property.
5. I have no present interest in the subject property described in this report. I have no personal bias with respect to the parties involved; the projected values, or any information contained within the report.
6. Compensation is not contingent on any action or event resulting from the analyses, opinions or conclusions in, or the use of, this report;
7. That this appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan;
8. Analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute;
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
10. As of the date of this report, Sharon Locatell, MAI, Certified General Appraiser has completed the requirements under the continuing education program of the Appraisal Institute. Ellen Benjamin is a Practicing Affiliate of the Appraisal Institute who, as of the date of this report, has completed the continuing education program for Practicing Affiliates of the Appraisal Institute.
11. Sharon Locatell has performed no services, as an appraiser or in any other capacity, regarding the subject property within the three-year period immediately preceding this assignment; and
12. Ellen Benjamin provided significant assistance in preparing this report.

Respectfully Submitted,



Sharon Locatell, MAI, CRE, MRICS  
President  
NY # 46000007350

## UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS

For the purpose of this appraisal, except as otherwise stated in the appraisal report, it is assumed:

1. That the legal description is correct.
2. That the title to the property is legally sufficient.
3. That there are no encumbrances or defects of title.
4. That the property is free and clear of all liens.
5. That the property will be efficiently managed and properly maintained.
6. That there are no structural conditions which are not apparent.
7. That there are no sub-surface soil conditions which would cause extraordinary development costs.

The appraisal is made subject to the following contingent conditions:

1. That no liability is assumed because of inaccuracies or errors in information furnished by others.
2. That no liability is assumed as a result of matters of legal character affecting the property, such as title defects, encroachments, liens, overlapping boundaries, party wall agreements, and easements.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser, and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. Except as otherwise stated in the appraisal report, the value indication is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
4. This appraisal is to be used in whole and not in part. The appraisal is invalid if so used.
5. That no survey, structural or sub-surface soil investigation was made of the property by the appraiser.
6. The appraiser herein by reason of this appraisal is not required to give testimony in court with reference to the subject property unless otherwise previously arranged.
7. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone but the applicant without the previous written consent of the appraiser.

8. Present worth of the purchasing power of the dollar.
9. This appraisal was made for the purpose stated and should not be used for any unrelated purpose.
10. Each finding, prediction, assumption or conclusion contained in the appraisal report is the appraiser's personal opinion and is not an assurance that an event will or will not occur. Except as otherwise stated in the appraisal report, we assume that there are no conditions relating to the real estate, sub-soil or structures located on the real estate which would affect the appraiser's analyses, opinions or conclusions with respect to the real estate that are not apparent.
11. Neither all nor any part of the contents of the appraisal report (especially the conclusions as to value, the identity of the appraiser, references to the Appraisal Institute or references to the MAI or SRA designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media or other public means of communication without the prior written consent and approval of the appraiser.
12. Appraisers and Planners, Inc. has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act (ADA, effective January 16, 1992). It is possible that a compliance survey of the property and a detailed analysis of the ADA requirements may reveal that the property is not in compliance with one or more requirements. If so, this fact might have a negative effect upon the value of the property. Appraisers and Planners, Inc. is not an ADA expert and has no direct evidence relating to this issue. This report does not reflect possible non-compliance with the ADA or its potential negative effect on the concluded value herein.



**SHARON LOCATELL, MAI, CRE, MRICS - PRESIDENT  
APPRAISERS & PLANNERS, INC.**

Sharon Locatell is President of Appraisers & Planners, Inc. headquartered in New York City. She is the former Executive Director of Brown Harris Stevens Appraisal & Consulting, LLC, where she headed the division for 18 years. Appraisers & Planners is a general appraisal and consulting business. Ms. Locatell has nearly 30 years of experience in real estate valuation and consulting with a diversified background in terms of property type, and services offered. She is actively involved in market value appraisals, consulting assignments, arbitration proceedings, purchase price allocation studies, estate work, litigation support and expert witness testimony, and investment advisory consultation.

Sharon Locatell has acted as real estate appraiser and/or consultant to Rudin Management Company, Cord Meyer Development LLC, Jack Resnick & Sons, Inc., The LeFrak Organization Inc., The Shubert Organization, Richemont, New York Racing Association, Inc., Titan Capital, Emerald Creek Capital, Piaget, Roman Catholic Archdiocese of New York, Yeshiva University, Lord & Taylor, Wien & Malkin, Consolidated Edison, Friedman LLP, Rockefeller Center, GAP Inc., General Accident, as well as other institutions, corporations and individuals. Her valuations have also included Rockefeller Center and the MesseTurm in Frankfurt, Germany, one of Europe's tallest office buildings.

Sharon Locatell has testified as an expert witness in Federal District Court on numerous occasions, and in various local and state courts. She is also active as an arbitrator.

Ms. Locatell has experience in both consultation and valuation of all types of properties including commercial, residential, retail, industrial, vacant land, as well as lease analysis, and feasibility studies.

**EDUCATION**

Gettysburg College  
Gettysburg, Pennsylvania

Bachelor of Arts (BA)  
(1984-1988)

University of Florida  
Graduate School of Business  
Administration

Masters Degree (MA)  
Real Estate and Urban Analysis  
(1988-1990)

**PROFESSIONAL AFFILIATIONS**

Member of Appraisal Institute **MAI**  
2015 President of the New York Metropolitan Chapter  
Member - Counselors of Real Estate - **CRE**  
Member – Royal Institution of Chartered Surveyors – **MRICS**  
Member - Real Estate Board of New York  
New York State Certified General Real Estate Appraiser #46000007350  
New Jersey State Certified General Real Estate Appraiser #42RG00196800  
Connecticut State Certified General Real Estate Appraiser #RCG0001066